

Upstream Dialogue

V1-2009 January

Keeping employees informed
about Canada's oil and
gas industry.



Photo courtesy of Jane Warren Publishing

Welcome to the first edition of *Upstream Dialogue*. This newsletter provides employees of CAPP member companies with up to date information about Canada's oil and gas industry. We see the importance in engaging with employees regularly, giving them the right information to effectively answer questions about the industry.

Take a moment to review the following sections and let us know what information you would like to see in future editions.

Employee Perspectives

You asked for it. CAPP has three new sources for balanced industry facts, information, and interaction. [read more](#)

Industry Practice and Regulations

Learn about regulatory changes. [read more](#)

Stewardship

Learn how the industry is taking action. [read more](#)

Technology and Innovation

Find out what Petrobank Energy and Resources Ltd. is doing to reduce their water use. [read more](#)

Industry in the News

[read more](#)

CAPP EVENTS & UPDATES

Newfoundland and Labrador Oil and Gas Week
February 22-28, 2009

Visit www.nloilandgasweek.ca for a complete listing of events and more information.

Stewardship Dinner
May 26, 2009

Your company's innovation or technology could qualify for a 2009 Steward of Excellence Award. Nomination packages will be available mid-February at www.capp.ca.

FEEDBACK

Your feedback, questions and/or comments are always welcome. Your input is important as we work to provide you with information about Canada's oil and gas industry.

► Send us your [feedback](#)

Employee Perspectives

We wanted to know your perspective

In May 2008 CAPP conducted an industry-wide survey among employees of our member companies across Canada.

The survey results indicated several areas on how we can improve our communication:

Employees are interested in learning more about the industry.

Employees want more information about industry regulations, environment, technology and innovation.

- Employees' preferred method for receiving this information is from their company executives and CAPP through the intra/internet, newsletters, emails and face-to-face meetings.

If you didn't get a chance to complete the survey, send us your [feedback](#) at anytime.

Providing you with more industry information

Upstream Dialogue, monthly newsletter

In response to your need for more balanced information, we will be sending out this newsletter on a monthly basis. It will feature information on Stewardship, people in the industry, policy information, new innovations, events, and issues in the news.

Your participation is essential. We would like to know about the work you are doing and your contributions to the industry so we can help communicate them to your peers. We also need feedback on the kinds of information you want to receive. Look for areas in the newsletter that request feedback and indicate ways that you can get involved.

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In future editions of *Upstream Dialogue*, we will use the Employee Perspectives section to highlight what employees are doing. Watch for videos and story features.

CAPP website

CAPP has recently launched a new public website. We have designed the site to be a source for the industry's perspective on relevant issues, and as a place to provide information on what we are doing about those issues.

We want your opinion on the new site. Please visit www.capp.ca and use the feedback form to let CAPP know if the information you are looking for has been provided or if there are additional topics you think should be added.



Canada's Oil Sands website

In June 2008, CAPP and 10 oil sands developers launched an initiative to encourage an open and public dialogue about oil sands issues. We wanted to gain a better understanding of public opinion about oil sands by listening to all interested people. The vehicle we have been using is an interactive website, www.canadasoilsands.ca.

The website has attracted over 50,000 unique visits, the forum has drawn over 250 comments, and "today's question" has had over 150 comments. We also conducted polling in Edmonton and Toronto, to verify what we heard on the website.

Canada's Oil Sands website (continued)

What we've heard: Canadians believe that it is possible to develop the oil sands while protecting the environment; they are concerned about the environmental impacts of oil sands development and do not believe that oil sands companies are doing enough today to protect the environment; and when considering oil sands environmental issues, Canadians are most concerned about the impact of the projects on fresh water, and on air emissions including greenhouse gases.

Canadians also believe that technology is a large part of the solution to oil sands environmental issues. As well, Canadians want to be confident that there is strict regulatory oversight of these major projects.

Having listened to the views of Canadians for the last six months, we are now beginning the conversation about what the industry can do to address the concerns of Canadians, find solutions to outstanding issues, and achieve the balance that Canadians believe is possible. We have to do a better job of explaining our industry more clearly and we need to continue our efforts towards improving our performance.

We will keep you informed as the conversation continues and encourage you to share your views on the website.



Industry Practice and Regulations

Tailings Performance Criteria

The Alberta Energy and Resources Conservation Board (ERCB) has completed the *Tailings Performance Criteria* directive and its release is pending.

This directive will impact the performance and conduct of tailings pond management by the industry and will also include enforcement actions. CAPP was involved in the consultation process.

The oil and gas industry's goal is to significantly reduce the environmental impact of tailings ponds.

- Read more about [Tailings Performance Criteria](#)
- Read more about [Tailings Ponds](#)

Alberta Land Use Framework

The Government of Alberta released the final Land Use Framework (LUF) on December 3, 2008.

CAPP and its members have been very engaged in the development of the framework, and are supportive of the government moving towards a more systematic and comprehensive approach to land and resource management.

The framework considers all three pillars of sustainable development in the land use planning process — economic, environmental and social — which enhances the effectiveness of both the consultation and decision making processes. It will include seven regional planning processes across the province. These regional initiatives will occur sequentially over the next two years starting with the Northeast region. CAPP's intent in the LUF discussions is to ensure timely and efficient access to resources and a stable, balanced decision making process.

- Read the [Alberta Land Use Framework](#)

Deep Basin Initiative

CAPP representatives have presented a regulatory proposal to the Deputy Minister of Energy, Sustainable Resource Development, Alberta Environment and the Alberta Energy and Resources Conservation Board (ERCB) that focuses on the Deep Basin area in Alberta.

Deep Basin Initiative (continued)

The goal of the proposal is to make natural gas production more efficient, cost-effective and environmentally sustainable in this area — located east of the Foothills between Rocky Mountain House and Grande Prairie.

The outlined approach would tie together surface and sub-surface development. It would also encompass policies and regulatory items that relate to spacing, commingling, pad drilling, collaboration, land management, fresh water protection and tenure. The regulation would be used as a template for other oil and gas resources in the province.

Stewardship

As our country and our industry enter a period of economic challenge and uncertainty, it is important to maintain and reinforce our commitment to Stewardship. CAPP's Stewardship program was created in 1999 to drive improvements in the industry's environmental, health and safety, and social performance. The initiative promotes the development of best practices, encourages innovation, and fosters greater alignment and understanding with our stakeholders.

CAPP member companies are committed to responsible resource development. As part of the Stewardship program we report annually on the performance of our member companies and highlight projects that show continuous improvement. We also engage with Canadians both to understand their concerns and to help improve their understanding of our industry. For example, recent national polling tells us that the public and employees of member companies expect industry to do a better job of managing its environmental footprint. We take these expectations seriously and are taking progressive action to develop solutions and communicate our progress to the public and stakeholders.

In future editions of *Upstream Dialogue*, we will use the Stewardship and Technology & Innovation sections to provide you with updated information about industry's initiatives.

► Read more about [CAPP's Stewardship program](#)



Photo courtesy of June Warren

Technology and Innovation

Reducing water use with THAI™ Technology

Water is an important part of oil and gas production around the world. As Canada's oil and gas industry grows, so does the demand on Canada's water resources. Petrobank Energy and Resources Ltd. is one example of a company leading the way with innovative solutions to further reduce industry's water use.

Toe-to-Heel Air Injection (THAI™) technology is an oil sands innovation that uses combustion, rather than water, to extract bitumen from deep underground.

► Read more about [THAI™ technology](#)

If your company has an innovation or technology story that you would like to share email communication@capp.ca.

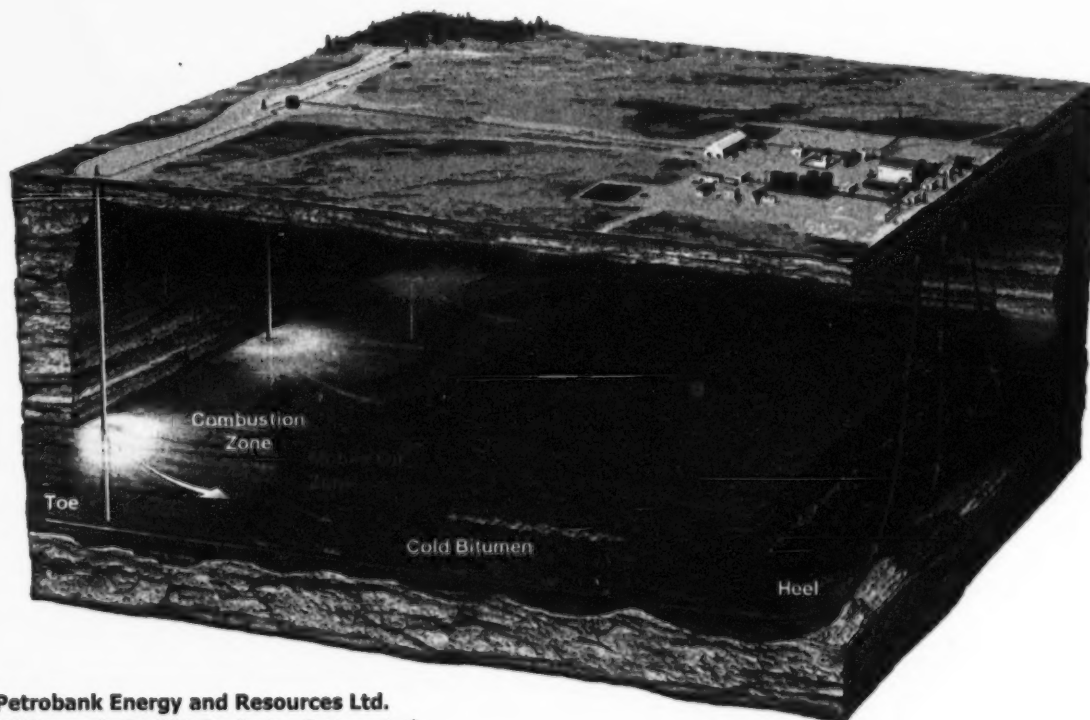
ENERGY IN ACTION 2009

This May, school children from 11 communities across Canada will partner with volunteers from local energy companies to learn about the industry and responsible



resource development. They will also take part in an environmental renewal project at their schoolyard. Since 2004, Energy in Action has taught more than 3,800 students and planted nearly 4,000 trees and shrubs across Canada.

► Learn how your company can get involved in [Energy in Action](#)



Petrobank Energy and Resources Ltd.
Whitesands THAI™ Project – Integrated
injection and production facilities

Industry in the News

Market Changes

It's clear that the oil and gas industry saw unprecedented changes in pricing and the financial market in late 2008 and continuing into 2009. World oil prices dropped over \$100 per barrel in less than five months. Natural gas prices didn't see the normal cold-weather-driven seasonal increase because of strong levels of new supply. The ability for companies to raise new equity or borrow debt has dried-up. While the industry has seen ups and downs in prices, the current drop is larger than in the past, in part due to the global financial crisis. This is leading the industry to adjust budgets and plans to deal with these circumstances.

Alberta Government Royalty Update

On November 19, 2008 the Government of Alberta released an update to the new royalty framework set to come into effect on January 1, 2009. The change provides an option for producers to elect to pay royalties based on new transitional rates for any new production during the next five years. However, all existing production will continue to pay royalties under the new royalty framework previously announced.

While these "transitional" royalties are intended to temporarily assist new production, they don't address the fact that the new higher royalties still apply for all existing production, particularly at a time when prices have fallen dramatically and financial/credit markets have collapsed. In that light, the Alberta Government also announced they will undertake a full "competitiveness review" that will include royalties, taxes and regulatory competitiveness for conventional oil/gas and unconventional gas early in 2009.

One of CAPP's areas of focus is to communicate to government about the operating environment and its impact on Alberta companies and workers. The oil and gas industry is a significant part of the Alberta Government economy and financial turmoil, the credit crisis, and low oil and gas prices have combined to stall investment in the province.

► Read the [November 19 news release](#)

Alberta's Energy Strategy

The Alberta government released its Provincial Energy Strategy, titled *Launching Alberta's Energy Future*, on December 11, 2008.

The strategy focuses on three key themes: clean energy production and energy technology leadership; wise energy use in production and consumption; and sustainable economic prosperity. CAPP contributed industry's views to the government as part of the process.

The industry is pleased that the strategy outlines an integrated approach to the environment, economy, and energy, and recognizes the important role the oil and gas industry plays in the Alberta economy. A key focus of the plan will be the review of the competitiveness of Alberta's energy sector in the global market. This review will include dialogue between industry and government, and will contribute to the long-term sustainability of the province's energy sector.

► Read [Launching Alberta's Energy Future](#)

Nova Scotia's Energy Strategy

The Nova Scotia Government released its Provincial Energy Strategy and Climate Change Action Plan, titled *Toward a Greener Future*, on January 16, 2009.

During the public consultation period in 2007, CAPP made a submission to government related to the development of the strategy. CAPP continued working with government in 2008 to provide input on specific policy initiatives including rights issuance to attract more exploration and data release to encourage new offshore investment.

The strategy outlines policy direction related to conservation, offshore and onshore petroleum resources, renewable energy, electricity and downstream opportunities. CAPP is pleased with the strategy and its focus on encouraging and attracting exploration offshore Nova Scotia. CAPP will continue working with government in 2009 on implementation of specific initiatives in the strategy.

► Read [Toward a Greener Future](#)

The Canadian Association of Petroleum Producers (CAPP) represents 130 companies that explore for, develop and produce natural gas, natural gas liquids, crude oil, oil sands, and elemental sulphur throughout Canada. CAPP member companies produce more than 95 per cent of Canada's natural gas and crude oil. www.capp.ca

